

COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT
TODD PLATTS, CHAIRMAN



MEDIA ADVISORY

For Immediate Release
June 24, 2003

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Department of Defense Financial Check-Up

How Can We Support a 21st Century Fighting Force with 20th Century Business Practices?

What: Government Reform Committee Oversight Hearing: “*Winning the War on Financial Management: Update on Department of Defense Reforms*”

When: 2:30 p.m., Wednesday, June 25, 2003

Where: Room 2154, Rayburn House Office Building

Background:

The Department of Defense (DOD) is the nation's largest employer with approximately 1.4 million men and women on active duty, 1.2 million serving in Reserve and Guard components, and 675,000 civilians. Its massive infrastructure and resources make DOD one of the largest enterprises in the world. The annual budget of nearly \$400 billion is administered through 2,300 separate financial management systems, many of which were created in-house and have not been updated or integrated. There is no question that the United States has the finest military force in the world, but the DOD's business and support structure is stuck in the middle of the 20th century.

The General Accounting Office tracked DOD's record of financial management, wherein, Comptroller General David Walker characterized its record of financial challenges as “pervasive, complex, long-standing and deeply rooted in virtually all business operations throughout the department.”

DOD has begun the huge task of transforming its business practices. On Wednesday, the Subcommittee will look at this broad-based transformation, which includes a new DOD-wide enterprise architecture and fundamental changes in business processes.

DOD has been the subject of hundreds of studies and analyses over the past two decades. Although these analyses differ in focus and area of concentration, they all recommend fundamental structural reform in financial management and business processes. Business Executives for National Security, a private sector study group, estimated that reforms could result in savings conservatively estimated at \$15 to \$30 billion per year.

Secretary Rumsfeld established the Business Management Modernization Program (BMMP), a new directorate within the Office of the Under Secretary of Defense (Comptroller), to direct and oversee financial management reforms. BMMP's main task is to develop the enterprise architecture. A major contract for development of this new enterprise architecture was awarded in April 2002, and a blueprint was submitted May 12, 2003, for review by the General Accounting Office. A report from GAO is expected in July 2003.

DOD observers and critics readily acknowledge the seriousness and determination of Secretary Rumsfeld. The fundamental issue is whether these reforms will have the staying power to truly transform financial practices, particularly since they will take 7 to 10 years to complete.

WITNESSES:

Gregory D. Kutz, Director of Financial Management and Assurance, General Accounting Office;

Lawrence J. Lanzillotta, Principal Deputy and the Deputy Under Secretary of Defense for Management Reform, Office of the Under Secretary of Defense (Comptroller); and

Paul Granetto, Director, Defense Financial Auditing Service, Office of the Inspector General of the Department of Defense.

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